

State of Hawaii  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
Division of State Parks

December 8, 2006

Board of Land and Natural Resources  
State of Hawaii  
Honolulu, Hawaii

Subject: Request for a One-Year Holdover of Concession Lease No. SP-0039 for the  
Kokee Concession, Kokee State Park, Kauai

The Lodge at Kokee, LLC, lessee of the Kokee Concession has requested a one-year holdover of the subject lease. The current lease is for a three-year term and expires on December 31, 2006.

The lease is for the operation and rental of twelve (12) State-owned cabins, operation of a restaurant providing food and beverage service to park visitors and operation of a gift shop. The annual rent (minimum guarantee) is \$226,101.

During the course of the lease, the Lodge at Kokee, LLC (Concessionaire) has encountered a number of problems. The roof of the lodge building, which houses the restaurant and gift shop has been plagued with leaks. During the lease period, the Concessionaire discovered that the previous concessionaire had been cited by the Department of Health for problems in the kitchen and lodge restrooms, and had not made the correction noted in the citation. The cabins have required emergency repairs, and the park road up to the lodge has, until recently, been in disrepair, discouraging large busses from driving up to the lodge.

The Concessionaire has requested a holdover of the lease for one year at a reduced rental of \$12,000 per year. This reduction is requested as major facilities repairs are the responsibility of the State, and, except for the recent road reconstruction the State has been unable to make the repairs.

Section 8 of the subject lease allows the State to approve a one-year holdover of the lease, "subject to such rent, terms, and conditions as the Lessor may prescribe."

Staff appreciates the challenges faced by the Concessionaire, and does not want to have a disruption in concession services as will occur if the Concessionaire ceases operation. However,

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staff feels that a reduction in rent to \$12,000 a year is excessive, and is instead recommending an approximately 50% reduction in rent. The current annual rent is \$226,101, and staff is recommending a new rent of \$113,050.

RECOMMENDATION:

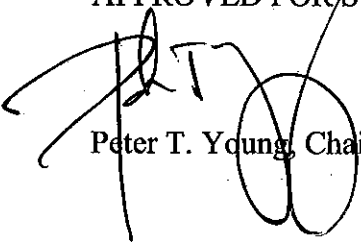
That the Board approves a one-year holdover of the Kokee Lodge Concession Lease to the Lodge at Kokee, LLC at the annual rental amount of \$113,050. All other terms and conditions of the lease will remain unchanged.

Respectfully submitted,



DANIEL S. QUINN  
State Parks Administrator

APPROVED FOR SUBMITTAL:



Peter T. Young, Chairperson